

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Plymouth District Library	County Wayne
Audit Date 12/31/05	Opinion Date 2/15/06	Date Accountant Report Submitted to State: 4/24/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Post, Smythe, Lutz, and Ziel, LLP			
Street Address 1034 West Ann Arbor Trail	City Plymouth	State MI	ZIP 48170
Accountant Signature <i>David R. Wells</i> CPA		Date 4/24/06	

**PLYMOUTH DISTRICT LIBRARY
Wayne County, Michigan**

AUDITED FINANCIAL REPORT

**For the Fiscal Year Ended
December 31, 2005**

PLYMOUTH DISTRICT LIBRARY
For the Year Ended December 31, 2005

Table of Contents

INTRODUCTORY SECTION

Table of Contents

FINANCIAL SECTION

Page

Independent Auditor's Report 1-2

Management's Discussion and Analysis 3-8

Basic Financial Statements:

Government Wide Financial Statements:

Statement of Net Assets 9

Statement of Activities 10

Fund Financial Statements:

Balance Sheet – Governmental Funds 11

Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds..... 12

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities 13

Statement of Postemployment Healthcare Plan
Net Assets-VEBA Trust 14

Statement of Changes in Postemployment Healthcare
Plan Net Assets-VEBA Trust 15

Notes to Financial Statements 16-30

Required Supplementary Information:

Individual Fund Statement:

Statement of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual – General Fund 31

Municipal Employees Retirement System
Defined Benefit Pension Plans - Trend Information 32

FINANCIAL SECTION

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Independent Auditor's Report

February 15, 2006

To the Board of Trustees
Plymouth District Library
Wayne County, Michigan

We have audited the accompanying financial statements of the governmental activities, and each major fund of Plymouth District Library as of and for the year ended December 31, 2005 which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Plymouth District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

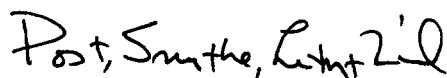
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Plymouth District Library as of December 31, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the defined benefit pension plans trend information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Plymouth District Library's basic financial statements. The accompanying required supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The required supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

A handwritten signature in black ink that reads "Post, Smythe, Lutz & Ziel". The signature is written in a cursive, flowing style.

POST, SMYTHE, LUTZ and ZIEL LLP
Certified Public Accountants

Management's Discussion and Analysis

As management of Plymouth District Library, we offer readers of Plymouth District Library's financial statements this narrative overview and analysis of the financial activities of Plymouth District Library for the fiscal year ended December 31, 2005.

Financial Highlights

- The assets of Plymouth District Library exceeded its liabilities at the close of the most recent fiscal year by \$8,701,966 (*net assets*). Of this amount, \$5,976,746 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, Plymouth District Library's governmental funds reported combined ending fund balances of \$6,058,191, an increase of \$843,678 in comparison with the prior year. Nearly all of this total amount, \$6,025,784 is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$6,025,784.
- Plymouth District Library's total debt decreased by \$462,668 (8 percent) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Plymouth District Library's basic financial statements. Plymouth District Library's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Plymouth District Library's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Plymouth District Library's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Plymouth District Library is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items

that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Plymouth District Library that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Plymouth District Library are limited to operating the Library. The District Library has no business-type activities.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Plymouth District Library, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Plymouth District Library can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Plymouth District Library maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Debt Service Fund which are considered to be major funds.

Plymouth District Library adopts an annual appropriated budget for its general fund, and a budgetary comparison statement has been provided to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Plymouth District Library's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 14 and 15 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-30 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Plymouth District Library, assets exceeded liabilities by \$8,701,966 at the close of the most recent fiscal year.

	Governmental	
	2005	2004
Current and Other Assets	\$ 6,638,456	\$ 6,869,557
Capital Assets	7,887,813	8,155,997
Total Assets	14,526,269	15,025,554
Long-term Liabilities	5,195,000	5,706,706
Other Liabilities	629,303	1,655,044
Total Liabilities	5,824,303	7,361,750
Net Assets:		
Invested in Capital Assets		
net of related debt	2,692,813	2,449,291
Restricted	32,407	17,184
Unrestricted	5,976,746	5,197,329
Total Net Assets	\$ 8,701,966	\$ 7,663,804

A significant portion of Plymouth District Library's net assets (31 percent) reflects its investment in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that are still outstanding. Plymouth District Library used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Plymouth District Library's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of Plymouth District Library's net assets (.4%) represents resources that are subject to external restrictions on how they may be used. The remaining, and largest portion of *unrestricted net assets* (\$5,976,746) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Plymouth District Library is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

The government's net assets increased by \$1,038,162 during the current fiscal year as shown in the table below:

	Governmental Activities	
	<u>2005</u>	<u>2004</u>
Program Revenues:		
Charges for Services	\$ 129,771	\$ 103,043
Operating Grants & Contributions	311,396	148,928
Capital Grants & Contributions		
General Revenues:		
Property Taxes	3,842,099	3,835,251
Unrestricted Investment Earnings	208,134	64,613
Total Revenues	<u>4,491,400</u>	<u>4,151,835</u>
Program Expenses		
General Government		
Public Library	3,249,044	3,347,627
Interest on Long-Term Debt	204,194	322,317
Total Expenses	<u>3,453,238</u>	<u>3,669,944</u>
Change in Net Assets	<u>\$ 1,038,162</u>	<u>\$ 481,891</u>

Governmental activities. Governmental activities increased Plymouth District Library's net assets by \$843,678 due to the following:

- Operating revenues exceed normal operating expenses. The District Library Board adopted the 2005 budget anticipating operating surpluses, which have been designated for major renovations to the building. The accumulated total of these designated funds is \$2,479,155 at December 31, 2005.

Financial Analysis of the Government's Funds

As noted earlier, Plymouth District Library used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Plymouth District Library's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Plymouth District Library's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Plymouth District Library's governmental funds reported combined ending fund balances of \$6,058,191, an increase of \$843,678 in comparison with the prior year. Nearly all of this total amount (\$6,025,784) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to pay debt service (\$25,578) and restricted gifts (\$6,829).

The general fund is the operating fund of Plymouth District Library. At the end of the current fiscal year, unreserved fund balance of the general fund was \$6,025,784 and the total fund balance was \$6,032,613.

Operating results for the governmental funds were discussed earlier in the "Governmental Activities" section.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$136,650, and represented minor changes to the original spending plan, and budgeting for the transfers to the VEBA (\$47,000) earlier.

Capital Asset and Debt Administration

Capital assets. Plymouth District Library's investment in capital assets for its governmental activities as of December 31, 2005, amounted to \$7,887,813 (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, and equipment. No major capital asset events occurred during the current fiscal year.

Details to the District's capital assets are continued in the notes to the financial statements.

Long-term debt. At the end of the current fiscal year, Plymouth District Library had total long term debt outstanding of \$5,244,038 all of which comprises debt backed by the full faith and credit of the Library.

Economic Factors and Next Year's Budgets and Rates

While unemployment in the State of Michigan remains high, and the State's budget is under pressure, the Library expects to collect similar revenues from the State of Michigan. These factors were considered in preparing Plymouth District Library's budget for the 2006 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Plymouth District Library's finances for all those with an interest in the Library's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Plymouth District Library Director.

BASIC FINANCIAL STATEMENTS

PLYMOUTH DISTRICT LIBRARY

Statement of Net Assets

December 31, 2005

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 6,423,908
Due from Other Governmental Units	129,709
Prepaid Expenditures	84,839
Capital Assets (Net of Accumulated Depreciation)	<u>7,887,813</u>
Total Assets	<u>14,526,269</u>
 <u>LIABILITIES</u>	
Accounts Payable	64,456
Accrued Liabilities	201,244
Deferred Revenue	363,603
Noncurrent Liabilities:	
Due within one year	455,000
Due in more than one year	<u>4,740,000</u>
Total Liabilities	<u>5,824,303</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets, net of related debt	2,692,813
Restricted for:	
Debt Service	25,578
Other	6,829
Unrestricted	<u>5,976,746</u>
Total Net Assets	<u>\$ 8,701,966</u>

PLYMOUTH DISTRICT LIBRARY
Statement of Activities
For the Year Ended December 31, 2005

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	
<u>Functions/Programs</u>	<u>Expenses</u>			
Primary Government:				
Governmental Activities:				
Public Library	\$ 3,249,044	\$ 129,771	\$ 311,396	\$ (2,807,877)
Interest on Long-Term Debt	204,194	-	-	(204,194)
Total Governmental Activities	<u>\$ 3,453,238</u>	<u>\$ 129,771</u>	<u>\$ 311,396</u>	<u>(3,012,071)</u>
		General Revenues:		
		Property Taxes		3,842,099
		Unrestricted Investment Earnings		<u>208,134</u>
		Total General Revenues and Transfers		<u>4,050,233</u>
		Change in Net Assets		1,038,162
		Net Assets - Beginning		<u>7,663,804</u>
		Net Assets - Ending		<u>\$ 8,701,966</u>

PLYMOUTH DISTRICT LIBRARY

Balance Sheet

Governmental Funds

December 31, 2005

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 6,362,161	\$ 61,747	\$ 6,423,908
Due from Other Funds	32,169	-	32,169
Due from Other Governmental Units	129,709	-	129,709
Prepaid Expenditures	<u>84,839</u>	<u>-</u>	<u>84,839</u>
Total Assets	<u>\$ 6,608,878</u>	<u>\$ 61,747</u>	<u>\$ 6,670,625</u>

LIABILITIES AND FUND BALANCE

Liabilities:			
Accounts Payable	\$ 64,456	\$ -	\$ 64,456
Accrued and Other Liabilities	148,206	4,000	152,206
Due to Other Funds	-	32,169	32,169
Deferred Revenue	<u>363,603</u>	<u>-</u>	<u>363,603</u>
Total Liabilities	<u>576,265</u>	<u>36,169</u>	<u>612,434</u>
Fund Balances:			
Reserved for:			
Debt Service	-	25,578	25,578
Restricted Gifts	6,829	-	6,829
Unreserved for:			
Capital Projects	531,453	-	531,453
Major Building Renovation	2,479,155	-	2,479,155
Facility	510,400	-	510,400
Technology	100,000	-	100,000
Undesignated	<u>2,404,776</u>	<u>-</u>	<u>2,404,776</u>
Total Fund Balances	<u>6,032,613</u>	<u>25,578</u>	<u>6,058,191</u>
Total Liabilities and Fund Balances	<u>\$ 6,608,878</u>	<u>\$ 61,747</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

7,887,813

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

(5,244,038)

Net Assets of Governmental Activities

\$ 8,701,966

PLYMOUTH DISTRICT LIBRARY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>			
Property Taxes	\$ 3,178,450	\$ 663,649	\$ 3,842,099
State and Federal Shared Revenues	242,081	-	242,081
Penal Fines	43,489	-	43,489
Book Fines and Rentals	89,560	-	89,560
Interest	197,091	11,043	208,134
Other	63,141	2,896	66,037
Total Revenues	<u>3,813,812</u>	<u>677,588</u>	<u>4,491,400</u>
<u>Expenditures</u>			
Current:			
Public Library	2,813,269	-	2,813,269
Debt Service:			
Principal	-	465,000	465,000
Interest and Other Charges	-	204,194	204,194
Capital Outlay	<u>124,427</u>	<u>-</u>	<u>124,427</u>
Total Expenditures	<u>2,937,696</u>	<u>669,194</u>	<u>3,606,890</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>876,116</u>	<u>8,394</u>	<u>884,510</u>
<u>Other Financing Sources (Uses)</u>			
Transfer to VEBA	<u>(40,832)</u>	<u>-</u>	<u>(40,832)</u>
Total Other Financing Sources (Uses)	<u>(40,832)</u>	<u>-</u>	<u>(40,832)</u>
Net Change in Fund Balances	835,284	8,394	843,678
Fund Balances - Beginning	<u>5,197,329</u>	<u>17,184</u>	<u>5,214,513</u>
Fund Balances - Ending	<u>\$ 6,032,613</u>	<u>\$ 25,578</u>	<u>\$ 6,058,191</u>

PLYMOUTH DISTRICT LIBRARY
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2005

Amounts reported for governmental activities in the statement of activities (page 10) are different because:

Net change in fund balances - total governmental funds (page 12)	\$ 843,678
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(268,184)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>462,668</u>
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Change in net assets in governmental activities (page 10)	\$ <u><u>1,038,162</u></u>
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PLYMOUTH DISTRICT LIBRARY
Statement of Postemployment Healthcare Plan Net Assets-VEBA Trust
December 31, 2005

ASSETS

Cash and Cash Equivalents	\$ 18,252
Investments, at Fair Value:	
Common Stock	295,985
Corporate Bonds	<u>162,447</u>
 Total Assets	 \$ <u>476,684</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts Payable	\$ <u>-</u>
 Net Assets:	
Held in Trust for Post Employment Healthcare Benefits	<u>476,684</u>
 Total Liabilities and Net Assets	 \$ <u>476,684</u>

PLYMOUTH DISTRICT LIBRARY
Statement of Changes in Postemployment Healthcare Plan Net Assets-VEBA Trust
For the Year Ended December 31, 2005

Additions:

Interest and Dividends	\$ 12,524
Employer Contributions	40,832
Unrealized Appreciation on Securities	<u>9,537</u>
Total Additions	62,893

Deductions:

Administrative Expenses	<u>6,769</u>
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Net Increase in Plan Assets	56,124
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Net Assets - Beginning of Year	<u>420,560</u>
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Net Assets - End of Year	<u>\$ 476,684</u>
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PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The District Library was established by the approval of the voters of Plymouth Township and the City of Plymouth in a special election held September 10, 1985. The District Library was formed under the authority of Public Act 164, of 1955. The District Library provides public library services to the residents of the Community.

In accordance with the provisions of the Governmental Accounting Standards Board the financial statements of the Plymouth District Library contain all the Library's funds and authorities for which the Library is financially accountable and the nature and significance of their relationship with the Library are such that exclusion would cause the Library's financial statements to be misleading or incomplete.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary fund, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

Governmental Funds

The Library reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The Library has no non major funds.

Fiduciary Fund

Fiduciary Funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary funds include the following fund type:

VEBA Trust Fund-accounts for the activities of the employee benefit plan that accumulates resources for certain post employment benefit payments to qualified employees.

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Library to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. non-current portion of interfund loans) .

All trade and property tax receivables are shown net of allowances for uncollectible accounts, which are recorded at \$-0- at December 31, 2005.

3. Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities and Net Assets or Equity - Continued

3. Capital Assets - Continued

Property and equipment of the Plymouth District Library are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15-30
Equipment	3-20

4. Compensated Absences

The District Library Board amended the employee manual during 2002 to allow full and part time employees to accumulate specific amounts of vacation time, under terms and conditions set by the policy manual. In accordance with Governmental Accounting Standards Board Statement No. 16, accumulated unpaid vacation, sick pay and other employee benefit amounts are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only when they have matured or come due for payment. The total liability is recorded in the Statement of Net Assets. Management has determined that the total liability at December 31, 2005 is \$49,038.

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets.

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2005

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet And the Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$5,244,308 difference are as follows:

General Obligation Bonds Payable	\$5,195,000
Compensated Absences Payable	<u>49,308</u>
	<u>\$5,244,308</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$(268,184) difference are as follows:

Capital Outlay Expenditures	\$ 124,427
Less: Capitalization Below Fixed Asset Capitalization Threshold	(28,767)
Less: Depreciation Expense	<u>(363,844)</u>
	<u>\$(268,184)</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$462,668 difference are as follows:

Principal Repayments	\$465,000
Compensated Absences Increase	<u>(2,332)</u>
	<u>\$462,668</u>

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2005

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Library is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

- a. Budgets must be adopted for the General Fund.
- b. Budgets must be balanced.
- c. Budgets must be amended as necessary.
- d. Public hearings must be held prior to adoption.
- e. Expenditures cannot exceed budget appropriations.
- f. Expenditures must be authorized by a budget appropriation prior to being incurred.

The Library follows these procedures in establishing the budgetary data reflected in these financial statements:

1. Prior to December 1 the Library Director submits to the District Library Board the proposed operating budgets for the fiscal year commencing the following January 1. The operating budgets include proposed expenditures and the means of financing them, for the General Fund.
2. Public hearings are conducted at the Library to obtain taxpayer comments.
3. Prior to December 31, the budgets are legally enacted at the activity level for the General Fund.
4. Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
5. Budget appropriations lapse at year end.
6. The Library does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds.
7. Budgeted amounts are reported as originally adopted, or as amended by the District Library Board.
8. In 2005, budget amendments were made and are reflected in the financial statements.

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

The Library has no funds with accumulated fund balance deficits.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

During the year ended December 31, 2005, the Library did not incur expenditures in excess of the amounts appropriated.

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2005

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law the Library is permitted to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Library is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Voluntary Employee Benefits Trust Fund is also authorized by Michigan law to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt, or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The Library's cash and investments are subject to several types of risk, which are detailed below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be recovered. The Library does not have a deposit policy for custodial credit risk. As of December 31, 2005, the Library's book balance of its deposits was \$6,440,765; the total book balance was \$6,442,160, due to \$1,395 in cash on hand. The bank balance was \$6,492,932 which was exposed to custodial credit risk, as follows:

	<u>Bank Balance</u>
Insured by F.D.I.C	\$ 400,000
Uninsured and Uncollateralized	<u>6,092,932</u>
Total	<u>\$6,492,932</u>

A reconciliation of cash to the accompanying financial statement follows:

Statement of Net Assets:	
Cash and Cash Equivalents	\$6,423,908
Fiduciary Fund:	
Cash	<u>18,252</u>
Total	<u>\$6,442,160</u>

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2005

IV. DETAILED NOTES ON ALL FUNDS - Continued

A. Deposits and Investments - Continued

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Library's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
VEBA Investments:		
Fixed Income:		
Schwab Total Bond Market Mutual Fund	\$79,196	5.4 Years
Vanguard Intermediate Term U.S. Treasury Mutual Fund	\$83,251	6.6 Years

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Library has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
VEBA Investments:			
Fixed Income:			
Schwab Total Bond Market Mutual Fund	\$79,196	See below	S&P
49.18% U.S. Government			
20.45% AAA			
30.37 BBB or below			
Vanguard Intermediate Term U.S. Treasury Mutual Fund	\$83,251	AAA	S&P

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2005

IV. DETAILED NOTES ON ALL FUNDS - Continued

A. Deposits and Investments - Continued

Concentration of Credit Risk

The Library places no limit on the amount the Library may invest in any one issuer. The Library has more than 5 percent of its investments in the following:

VEBA Investments:

Schwab Total Bond Market Mutual Fund	17%
Vanguard Intermediate Term U.S. Treasury Mutual Fund	17%
Schwab International Ind. Mutual Fund	11%
Vanguard Small Cap Mutual Fund	10%
Vanguard 500 Index Mutual Fund	41%

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Library's name.

<u>Type of Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
VEBA Investments:		
Fixed Income Mutual Funds	\$162,447	Counterparty
Common Stock Mutual Funds	\$295,985	Counterparty

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2005

IV. DETAILED NOTES ON ALL FUNDS - Continued

B. Capital Assets

Capital asset activity for the year ended December 31, 2005 was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, not depreciated:				
Land	\$ <u>765,210</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>765,210</u>
Capital Assets, being depreciated:				
Building and Improvements	7,974,083	-	-	7,974,083
Equipment	493,437	95,660	(76,999)	512,098
Furniture and Fixtures	<u>878,205</u>	<u>-</u>	<u>-</u>	<u>878,205</u>
	<u>9,345,725</u>	<u>95,660</u>	<u>(76,999)</u>	<u>9,364,386</u>
Less: Accumulated Depreciation:				
Building and Improvements	1,107,447	170,378	(76,999)	1,200,826
Equipment	316,807	105,645	-	422,452
Furniture and Fixtures	<u>530,684</u>	<u>87,821</u>	<u>-</u>	<u>618,505</u>
	<u>1,954,938</u>	<u>363,844</u>	<u>(76,999)</u>	<u>2,241,783</u>
Governmental Activities Capital Assets, net	\$ <u>8,155,997</u>	\$ <u>(268,184)</u>	\$ <u>-</u>	\$ <u>7,887,813</u>

Depreciated expense was charged to functions of the Library
as follows:

Public Library	\$ <u>363,844</u>
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C. Interfund Receivables and Payable

The correction of interfund balance as of December 31, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Debt Service Fund	<u>\$32,169</u>

The amounts represent unsettled interfund activity arising during the course of the year.

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2005

IV. DETAILED NOTES ON ALL FUNDS - Continued

D. Long-Term Debt

The following is a summary of long-term debt transactions of the Library for the year ended December 31, 2005:

	Balance January 1,	Additions	Reductions	Balance December 31,	Balance Within 1 Year
Gov. Activities:					
G.O. Bonds	\$ 5,660,000	\$ -	\$ 465,000	\$ 5,195,000	\$ 455,000
Comp. Absences	46,706	2,332	-	49,038	-
	<u>\$ 5,706,706</u>	<u>\$ 2,332</u>	<u>\$ 465,000</u>	<u>\$ 5,244,038</u>	<u>\$ 455,000</u>

The following is a summary of general obligation debt outstanding (excluding compensated absences) of the Library as of December 31, 2005:

	Number of Issues	Interest Rate	Maturing Through	Principal Outstanding
Governmental Activities:				
General Obligation Bonds	1	2.00%-4.75%	2016	\$ <u>5,195,000</u>

The annual debt service requirements to maturity for debt outstanding as of December 31, 2005 are as follows:

Year Ended	Governmental Activities	
	Principal	Interest
2006	\$ 455,000	\$ 196,350
2007	465,000	184,975
2008	475,000	172,188
2009	475,000	157,938
2010	475,000	142,500
2011-2015	2,375,000	432,848
2016	475,000	22,562
	<u>\$ 5,195,000</u>	<u>\$ 1,309,361</u>

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2005

IV. DETAILED NOTES ON ALL FUNDS - Continued

E. Property Taxes

Property taxes are assessed as of each December 31. The Library tax levy is billed on July 1 of the following year, and payable in eight installments through February. Taxes are considered delinquent on March 1, at which time the applicable property is subject to lien and penalty and interest is assessed. The maximum authorized operating levy for the Library is as follows:

<u>Type</u>	<u>Source of Authorization</u>	<u>Original Authorization</u>	<u>Maximum Authorization After "Roll Back"</u>	<u>Amount Levied</u>
Operating	Vote: 11-85	.8000	.6422	.6422
Operating	Vote: 11-87	.4000	.3325	.3325
Operating	Vote: 11-94	.5000	.4909	<u>.4909</u>
	Total			1.4656
Debt	Vote: 11-94	-	-	<u>.3122</u>
				<u>1.7778</u>

V. OTHER INFORMATION

A. Employee Retirement Systems and Plans

1. Municipal Employees Retirement System Defined Benefit Plan

a. Plan Description

The Plymouth District Library participates in the Municipal Employees Retirement System (MERS), a multiple employer state-wide, public employee defined benefit pension plan created under Public Act 135 of 1945, and now operates under Public Act 220 of 1996, and the MERS Plan Document as revised. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefits provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2005

V. OTHER INFORMATION - Continued

A. Employee Retirement Systems and Plans - Continued

1. Municipal Employees Retirement System Defined Benefit Plan - Continued

b. Funding Policy

The plan adopted by the District Library Board requires no member contributions. The Library is required to contribute at an actuarially determined rate; the rate for 2005 was 8.99%. The contribution requirements of plan members and the Library are established and may be amended by the Library, depending on the MERS contribution program adopted by the Library.

c. Annual Pension Costs

For fiscal year 2005, the Library's annual pension cost of \$65,533 for MERS was equal to the Library's required and actual contributions. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0% and (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation. The actuarial value of MERS assets was determined on the basis of an evaluation method that assumes the funds earn the expected rate of return and adjustments to reflect market value. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years.

Three-Year Trend Information

<u>Fiscal Year Ended Dec. 31</u>	<u>Annual Pension Costs (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
2003	\$ 69,850	100%	\$ -
2004	103,716	100%	-
2005	65,533	100%	-

2. Voluntary Employees Beneficiary Association (VEBA)

The Plymouth District Library Voluntary Employees Beneficiary Association (VEBA; the "Plan") is a single-employer defined benefit post employment healthcare plan established by Plymouth District Library to provide medical and healthcare benefits for retirees and their beneficiaries. Eligible participants include any retirees who receive pension benefits under the Plymouth District Library's pension plans. Plan provisions are established and may be amended by the Plymouth District Library Board of Trustees.

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2005

V. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

2. Voluntary Employees Beneficiary Association (VEBA) - Continued

The Plan is funded by a trust agreement established pursuant to Section 501(c)(9) of the Internal Revenue Code which allows for the formation of a VEBA.

Subject to certain age and length of service requirements, eligible participants receive the same medical insurance coverage under the Plan as was in effect at the time of their employment. At such time that participants become Medicare eligible, the benefits under the Plan change to Medicare Supplemental coverage.

Employer contributions to fund the Plan were based on an actuarial valuation and totaled \$40,832 for the Plan year 2005. Although an actuarial valuation of the Plan was completed during 2002, the Plymouth District Library has determined that it will establish an annual employer contribution rate using the actuarial valuation as a reference, but not as a definitive requirement.

B. Risk Management

The Library is a member of the Michigan Municipal Liability and Property Pool for its general liability coverage and a member of the Michigan Municipal Workers Compensation Fund for its workers compensation coverage. Both pools are sponsored by the Michigan Municipal League. The Library pays annual premiums to the pools. The pools are self-sustaining through member premiums, and each carries reinsurance through commercial companies for claims in excess of the pool loss reserve fund.

In the event that a single loss should exceed the amount of protection afforded by the pool loss reserve fund, reinsurance, or other insurance carried by the pools, or in the event that a series of losses should deplete or exhaust the loss reserve fund and reinsurance, the payment of valid losses shall be the obligation of the individual member or members of the respective pool against whom the claim was made.

No such event has occurred with the Library and the pools to which it belongs in any of the past three fiscal years.

C. Property Tax Litigation

District Library taxpayers are in litigation over tax assessments. Utility companies who have appealed tax assessments for 1997-2003 claiming that the State Tax Commission revised depreciation tables adopted in 1999 had a retroactive

PLYMOUTH DISTRICT LIBRARY
Notes to Financial Statements
December 31, 2005

V. OTHER INFORMATION - Continued

C. Property Tax Litigation - Continued

effect. Also, other cases have been litigated, which the District Library has received notification that the taxpayer(s) have prevailed. While the ultimate outcome of these cases cannot be determined, management has concluded (based on information provided by local assessors) that a recognition of losses are likely in future years. While the exact amount of this loss is not known, a reasonable estimate based on information currently available is approximately \$121,000.

REQUIRED SUPPLEMENTARY INFORMATION

PLYMOUTH DISTRICT LIBRARY
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2005

	General Fund			
	Original Budget	Final Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:				
Property Taxes	\$ 3,184,000	\$ 3,184,000	\$ 3,178,450	\$ (5,550)
State and Federal Shared Revenues	141,000	144,000	242,081	98,081
Penal Fines	45,000	43,000	43,489	489
Book Fines and Rentals	84,100	86,650	89,560	2,910
Interest	46,000	190,000	197,091	7,091
Other	18,000	54,100	63,141	9,041
Total Revenues	<u>3,518,100</u>	<u>3,701,750</u>	<u>3,813,812</u>	<u>112,062</u>
Expenditures:				
Salaries	1,427,000	1,410,000	1,402,975	7,025
Payroll Taxes and Fringe Benefits	315,600	276,000	279,116	(3,116)
Books and Supplies	597,000	592,000	561,970	30,030
Contractual Services	214,100	270,000	265,026	4,974
Telephone and Utilities	153,000	151,000	152,380	(1,380)
Insurance	45,100	41,000	40,803	197
Repairs and Maintenance	25,000	25,000	20,324	4,676
Capital Outlay	640,500	787,655	124,427	663,228
Other	100,800	102,095	90,675	11,420
Total Expenditures	<u>3,518,100</u>	<u>3,654,750</u>	<u>2,937,696</u>	<u>717,054</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>47,000</u>	<u>876,116</u>	<u>829,116</u>
Other Financing Uses:				
Transfer to VEBA	<u>-</u>	<u>(47,000)</u>	<u>(40,832)</u>	<u>6,168</u>
Total Other Financing Uses	<u>-</u>	<u>(47,000)</u>	<u>(40,832)</u>	<u>6,168</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	<u>835,284</u>	<u>\$ 835,284</u>
Fund Balance, January 1			<u>5,197,329</u>	
Fund Balance, December 31			<u>\$ 6,032,613</u>	

PLYMOUTH DISTRICT LIBRARY
Required Supplementary Information – (Unaudited)
Defined Benefit Pension Plans – Trend Information
For the Year Ended December 31, 2005

Municipal Employees Retirement System
Schedule of Funding Progress

<u>Schedule of Funding Progress</u>						
<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability (AAL)</u>	<u>Underfunded</u> <u>AAL</u> <u>(UAAL)</u>	<u>Funded</u> <u>Ratio</u>	<u>Covered</u> <u>Payroll</u>	<u>UAAL as a</u> <u>Percent of</u> <u>Covered Payroll</u>
12/31/97	\$ 508,215	\$543,940	\$ 35,725	93%	\$341,801	10%
12/31/98	613,352	711,420	98,068	86	410,810	24
12/31/99	742,825	835,620	92,795	89	494,202	19
12/31/00	871,550	1,011,700	140,150	86	541,369	26
12/31/01	1,005,556	1,096,922	91,366	92	575,257	16
12/31/02	1,116,601	1,435,116	318,515	78	685,483	46
12/31/03	1,749,498	1,620,507	(128,991)	108	647,206	-
12/31/04	2,083,266	1,830,348	(252,918)	114	683,279	-

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2004, the latest actual valuation, follows:

Actuarial cost method	Entry age normal cost
Amortization method	Level percent
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	
Includes inflation at 4.5%	4.50-8.66%
Cost of living adjustments	None

POST, SMYTHE, LUTZ AND ZIEL LLP

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Wendy Leung Lee, C.P.A., C.V.A.
Therese Mulholland, C.P.A.

February 15, 2006

Board of Trustees
Plymouth District Library
Wayne County, Michigan

Our audit of the financial statements of Plymouth District Library for the year ended December 31, 2005 has been completed and was conducted in accordance with generally accepted auditing standards which require that we determine that existing internal controls, accounting procedures and accounting records are adequate to allow us to express an opinion on the financial statements of the District Library. The scope of our audit is not intended to be a detailed review of all systems and procedures; therefore, this report should not be considered all inclusive.

Property Tax Settlement

During our audit, we found that the amounts due to the Library from the Township for the 2004 tax roll were not fully paid. The amounts due to the Library are between \$20,000-\$30,000. The Township Treasurer is investigating the matter, but it appears that payments due to the Library were sent to another taxing authority in error. The Library should receive appropriate documentation of settlement payments from the Township prior to final settlement.

Internal Control Matters

To further improve internal control and cash flow, we suggest the following:

- Consider "positive pay" which is a service offered by your bank which records pertinent information about each check such as the amount, the check number, bank information and date, and then transmits it to the bank to be verified, before the check can be paid. This will help insure that only authorized payments are paid by the bank.
- Consider establishing separate accounts payable checking accounts and payroll accounts with small imprest balances. The exact cash transfer necessary to fund authorized transactions would be transferred from investment accounts to the imprest accounts by an employee independent of the accounting functions.

- Payroll – The Library uses third party system to accomplish payroll activity. We suggest that you work with the service provider to segregate duties involving payroll:
 - Adding/Deleting Employees
 - Changing Pay Rates
 - Authorizing Sick or Vacation Pay

Ideally these functions would be performed by staff not involved in the accounting areas.

- EFT Payments – The Library currently pays a small number of vendors (primarily MERS) through the EFT process. We suggest that these payments be accomplished through an imprest account, and that transfers to fund the EFT should be reviewed, and accomplished by staff not involved in the accounting process.

We appreciate the courtesy extended to us by you during the course of our examination. We would be pleased to provide additional assistance if you desire.

Sincerely

Post, Smythe, Lutz and Ziel
POST, SMYTHE, LUTZ and ZIEL LLP
Certified Public Accountants